

Formation of a New Jersey non-life insurance company

The steps required by N.J.A.C. 11:1-28 et seq. to be followed leading to the granting of a Certificate of Authority to transact non-life insurance business in New Jersey are:

Step 1: The submission of a feasibility study to the Commissioner of Banking and Insurance which shall include, but not be limited to, the following:

1. A detailed plan of operation of the applicant which shall:
 - i. Include and explain its plan of operation;
 - ii. Explain its source of funding;
 - iii. Describe its marketing strategy;
 - iv. Describe its underwriting procedures and guidelines;
 - v. Explain the administrative and legal arrangements to be made for the adjustment of claims and the recovery of salvage and subrogation;
 - vi. Describe its territory of operation;
 - vii. Describe the qualifications of the senior officers of the applicant responsible in the areas of claims, underwriting and investments;
 - viii. Describe the proposed maximum amount of coverage by line of business;
 - ix. Describe the proposed retention by line of business;
 - x. Describe the proposed reinsurance arrangements;
 - xi. Describe the proposed methods for the handling of consumer complaints;
 - xii. Include the applicant's proposed organization chart; and
 - xiii. Describe the proposed dividend policy (policyholder and shareholder);
2. A summary of the applicant's initial rating system, to the extent its proposed operations are regulated, which shall include:
 - i. Rate by lines of business;
 - ii. Proposed statistical agents (if any);
 - iii. Independent filings; and
 - iv. The rating bureau (if any);(Any company that wishes to write private passenger automobile insurance must submit a complete rate and form filing for review.)
3. A five year projection of the following certified by a qualified actuary and accompanied by a narrative explaining the sources of anticipated premium and all assumptions made in developing the entire projection:
 - i. Assets, liabilities and surplus and other funds in the format of the Assets page and the Liabilities and Surplus and Other Funds page in the Annual Statement representing the start-up year of the applicant and the five successive year-ends;
 - ii. Underwriting and investment income in the format of the Underwriting and Investment Exhibit, Statement of Income in the Annual Statement for each of the five years;

- iii. The following information by line of business for each of the five years (the line of business classifications shall be those set forth in the Underwriting and Investment Exhibit, Part Two in the Annual Statement):
 - (1) Premiums earned;
 - (2) Losses incurred;
 - (3) Loss expenses incurred; and
 - (4) Ratios of the sum of the losses and loss expenses to premium earned; and
- iv. The projected values required in the Underwriting and Investment Exhibit, Part Four - Expenses in the Annual Statement.

Within 60 days from the receipt of all information and the filing fee from the applicant, the Commissioner shall, in writing, either accept or reject the applicant's feasibility study.

Step 2: Once the feasibility study is accepted, the applicant then must submit the corporation's original certificate of incorporation, which the Department will submit for review and certification by the State Attorney General of New Jersey. Once the Certificate of Incorporation has been certified, it will be returned for recording with your county clerk.

Step 3: Additional Information Due

- 1. By-laws
- 2. Biographical affidavits -- One for each incorporator, officer, and director of the proposed company (must use the New Jersey Form, NAIC Form is not acceptable)
- 3. New Jersey State Police, State Bureau of Identification Request for Criminal History Record Information, Form SBI 212(Rev.9-79) for each officer, director, incorporator or stockholder with controlling interest of the proposed insurer with a check totaling \$15/form and payable to the **New Jersey State Police. These must be completed on original yellow forms and are therefore, not posted to the web site.**

- 11. **Step 4:** The original recorded Certificate of Incorporation must be returned to the Department of Insurance for filing.

Step 5: Capital must be raised and a minimum \$100,000 (market and par value) deposit made with the Commissioner of Banking and Insurance.

Step 6: Organization Examination: Additional information that must be available for the Organization Examination includes:

- Stockholders' and company's organization resolutions (certified copies)
- Names, home addresses (including zip codes), and occupations of directors elected

- Insurance company's officers; names and titles.
- Name of bank, address, and contact person to verify securities owned
- Name of company's registered agent and resolution authorizing him to accept service of process
- A holding company chart depicting a diagram of control
- Copy of the holding company filing under 17:27A-3 if available (must be filed fifteen (15) days after obtaining authority)
- Certified balance sheet of the holding company as of recent date
- Pro forma balance sheet of the company certified to by an officer of proposed insurer
- Copy of the insurance company's stock certificate
- Financing agreements with bank or other financial institutions
- Management; operating of expense sharing agreements
- Original affidavit of officers and directors completed and signed
- Reinsurance agreements or proposed reinsurance programs
- Bank verifications to be submitted to bank and returned to the department (Company must have a Federal Employers Identification Number.)
- A detailed written outline from the company explaining its current and immediate plan of operations

Once the organization exam has been completed and filed, the company should be in a position to receive its Certificate of Authority. During the course of the organization examination management agreements, service agreements and cost-sharing arrangements will be reviewed. However, all such agreements necessitate a Form D filing pursuant to N.J.S.A. 17:27A et seq. and are not deemed approved simply because they were reviewed during the course of the organization examination.

Please note that under N.J.S.A. 17:17-10 you have only one year from the date the Certificate of Incorporation is certified by the Attorney General to receive a Certificate of Authority. If a company fails to obtain a Certificate of Authority within one year, it shall be dissolved and its Certificate of Incorporation null and void.